

# MINIMUM WAGE

## Myths and Facts

### ✗ MYTH

*Employers exaggerate when they say mandatory wage increases will harm business and employment prospects.*

### ✓ FACT

Minimum wage advocates shrug off concerns raised by the business community but the impacts of mandatory government-imposed wage increases are real. According to a [2021 report from the nonpartisan Congressional Budget Office](#), raising the minimum wage to \$15 would lead to an estimated 1.4 million lost jobs nationwide, around 500,000 more than the number of people the CBO projects will be helped out of poverty by a government mandated wage increase. A Pennsylvania specific study by the state's [Independent Fiscal Office](#), found that an increase to \$12 could lead to the loss of 27,000 jobs throughout the Commonwealth. Other states that have mandated increases have seen a negative impact on employment. A recent study from the University of Washington found that Seattle's \$13 an hour minimum wage rate – which went into effect in 2016 – has led to employee hours dropping by 9 percent and has actually lowered the average monthly income for low wage workers by \$125. Here in Pennsylvania, many employers reported adverse impacts in the months following the minimum wage increase in 2006, such as Kennywood Park outside Pittsburgh, which had to lay off 70 employees; or a chain of fitness stores in the Lehigh Valley, which had to lay off 100 workers. Ignoring concerns raised by employers who will face increased labor costs of anywhere from 40 to 107 percent (as various proposals aim to do) is shortsighted and unfair to the employers and employees who will be impacted.

### ✗ MYTH

*Increasing the minimum wage is the best way to fight poverty.*

### ✓ FACT

This common rationale for mandating wage increases is a myth for multiple reasons. The majority of those living at or below the poverty line cannot benefit from a mandatory wage increase because, [according to the U.S. Census Bureau](#), they don't have a job in the first place. A University of California at Irvine economist concluded that 85 percent of major academic studies on the minimum wage found a negative employment effect on low-skilled workers. Moreover, most minimum wage earners do not fit the demographic description that supporters use in their narrative. For example, according to the 2021 Pennsylvania Department of Labor and Industry's Minimum Wage [report](#): 84 percent of minimum wage earners have no children; nearly 70 percent are under 25. Additionally, the report shows that a third of minimum wage earners live in households with income exceeding \$100,000. The best way for government to truly help low-wage workers is to strengthen workforce development programs to provide necessary skills-training for in demand jobs in the Commonwealth. Additionally, more targeted approaches – such as a state Earned Income Tax Credit – will better help low-wage earners as they move upward through the workforce.

**X MYTH**

*Most minimum wage earners work for large national corporations who can afford to pay their workers more.*

**✓ FACT**

According to data from the [Employment Policies Institute](#), nearly half of the minimum wage workforce is employed by small businesses. And [according to the U.S. Small Business Administration](#), the median income for self-employed individuals at their own incorporated business was \$51,816, according to the most recent data from 2018.

**X MYTH**

*The legislature should at least raise the minimum wage to \$12 because that's around what it would be if it had been increased based on the rate of inflation since 1968.*

**✓ FACT**

Advocates of a higher minimum wage consistently use 1968 as a historical reference point because that is the year in which the minimum wage hit its inflation-adjusted high point. Anyone can pick an arbitrary year: had minimum wage tracked inflation from, say, 1948, today it would be a little over \$4; or from 1988, it would be around \$7.50. The federal government first set a minimum wage in 1938 at 25 cents, which means that, based on the logic employed by advocates, the minimum wage should be about \$4.59 today, according to the state's Minimum Wage report.

**X MYTH**

*Minimum wage will help the economy because people will have more money to spend.*

**✓ FACT**

Government-mandated raises will indeed put more money in some people's pockets; but that money comes from someone else's pocket, most likely a small business owner. Therefore, while some people will benefit, others will lose their job or employers will not be able to expand, add new positions or hire back workers who had been laid off. Even more likely is that workers will see hours reduced, considering around three quarters of minimum wage earners work hourly part-time jobs. Advocates who claim artificially raising wages would significantly boost the economy seem to forget that the federal minimum wage was increased in 2007, 2008 and 2009 – years in which the country suffered through a debilitating recession and historically sluggish recovery.

**X MYTH**

*Workers deserve a raise which is why we have to increase the minimum wage.*

**✓ FACT**

Standard rhetoric from minimum wage advocates implies that, unless the government takes action, those earning the minimum wage will never experience a wage increase. In reality, minimum wage is typically a starting or training wage for employees entering the workforce who usually earn commensurate wage increases as they gain experience and skills. [Overall, the number of minimum wage earners has generally declined as the size of the workforce has increased and the age of minimum wage earners is getting younger.](#) These facts indicate that people usually do not get “stuck” at minimum wage.